

PROJECT OVERSIGHT REPORT

Merchandising Business System (MBS)
Washington State Liquor Control Board (WSLCB)

Report as of Date:
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Description: The 2001 Legislature authorized the Washington State Liquor Control Board (WSLCB) to replace its Point of Sale (POS) software with a commercially available product capable of managing and supporting the agency's retail business. These business activities include procurement (timely sales and marketing data), distribution (electronic tracking of shipping and handling), wholesale and special orders, and POS in the 157 state liquor stores. The agent stores are not included in the scope of this project. The project also includes implementation of data mart software to access Merchandising Business System (MBS) information. The project has completed the Requirements Definition Study phase and is now in the Solution Implementation phase.

The WSLCB issued a Request for Proposal (RFP) and selected GERS Retail Systems as the vendor. GERS is a leading supplier of merchandising, point-of-sale, and e-business solutions for retailers. They have installed more than 400 systems for customers in the United States, Canada, and Japan, and cover markets such as general merchandise, specialty soft lines and hard lines, telco, consumer electronics, and home furnishings. GERS will provide project management support for the project. The WSLCB staff will work closely with the vendor to ensure knowledge transfer occurs during the project.

Technology: GERS has proposed an AIX/Oracle platform. The project will include replacement of the POS equipment in the state operated liquor stores with industry standard cash registers and related equipment.

Life Cycle Stage: The project is in the Solutions Implementation phase. WSLCB signed a \$4 million contract with GERS to implement the MBS functionality by June 30, 2003 at the host site and in one state operated liquor store.

Budget: The appropriation for this project is \$4,802,720. The GERS contract is for \$4 million. To date, the WSLCB has planned expenditures totaling \$1,908,666 for host computer equipment, POS and host software, and implementation and contract services. Services include: assisting the WSLCB with requirements, vendor and product selection, quality assurance services contract with Sterling Associates, interface analysis and design. The contract defines payment amounts for each deliverable. Interface development necessary for existing WSLCB applications and enhancements to the GERS application is being added to the GERS contract for an additional \$0.5 million. There will be a contract amendment for development services performed by GERS for function and features not included in the original contract.

The WSLCB is working on methods to allow paying project expenditures in the next biennium since that probability is high. There is a request to carry forward \$2 million of proviso funds in the Governor's budget proposal if the project is underspent in the current biennium.

Schedule: GERS has informed the WSLCB they will require 3 months added time before delivering their system with all required enhancements and interfaces. This represents a delivery date slide from February 17, 2003 to May 15, 2003. This schedule revision impacts the dates of several project milestones. A revised schedule is to be available January 27. The

WSLCB will be receiving modules of the enhancements as they are completed with the last deliverables due May 15. This will allow for training and limited testing prior to May 15 as modules are delivered.

The delay of required enhancements and interfaces severely limits the time needed for the WSLCB to test before implementation scheduled for June 30, 2003. The WSLCB's goal in the schedule is to have five stores implemented by June 30, 2003. The WSLCB wants all 157 state stores converted by September 2003.

The table below includes milestones and original schedule dates. Some new milestones will be added and some project milestone dates will have to be revised.

Milestone	Completion Schedule	Status
1. Finalize Project Plan and Implementation Plan	October 2002	Complete
2. Install host equipment and application software	December 2002	Complete
3A. Configure and test application without mods	February 2003	In process
3B. Configure and test with mods and interfaces	February 26, 2003	Delayed
4. Acquire POS equipment	April 22, 2003	
5. Complete pilot	June 30, 2003	
6. Complete staff training	April 11, 2003	
7. Certify POS stations	June 30, 2003	
8. Complete documentation	June 30, 2003	
9. Store 1 implementation complete	July 4, 2003	

Status: The prior project report (November 2002) indicates the project schedule is extremely tight and subject to change. Specifically, it informed that activities are going forward on several areas of the project: development of enhancements and interfaces, acquiring, installing, and configuring hardware and application software, acquiring point-of-sale equipment, and training.

System interfaces were identified as a specific area of concern. The prior report mentioned above stated that detail specifications are being developed for the interfaces between the GERS system, the new Warehouse Management System (WMS), and Liquor Board legacy applications. The development of specifications for the interfaces is identifying new business requirements within those interface functions that were not anticipated during the original schedule and plan development. The new specifications have been defined in detailed requirements this month. Additionally, the GERS and WMS systems were developed using a technology that is not in the WSLCB skill-set, and the interfaces will be developed using the new technology. The WSLCB's review of the schedule finds the WSLCB will need to add resources to compensate for the additional time for the interfaces. The WSLCB decided to outsource the interface development to GERS rather than take the time for internal staff to acquire the skills. The decision to outsource adds cost to the project included in the above stated cost projections but minimizes the risk and impact to the schedule.

Detailed discussion with GERS revealed that delivery of enhancements (bailment, tax distribution, and price calculation) and interfaces would be delayed approximately 3 months to May 15, 2003, requiring more time than expected based on the original specifications. The WSLCB, regarding tax distribution and price calculation specifications, could not completely and

correctly inform them of specific requirements and, therefore, more time is required to complete the work. GERS, on the other hand, ran into difficulties with bailment, customer line pricing and the accounts receivable component that cause delay in the schedule. In some instances the WSLCB could not change business practices and GERS was forced to change interfaces. GERS will be making all changes part of the 'vanilla' base system. Having the vendor develop the interfaces within the core functionality of their software assures the WSLCB that this functionality is available in future releases.

The WSLCB is continuously assessing ways to develop risk mitigation strategies. To address the shortened test time due to the delay by GERS, the WSLCB will be performing cycle testing as development components are released before May 15. They will also perform training as functionality is released. They have added stronger project controls and more frequent communications among the project team and executives. And GERS and the WSLCB have added resources to support the project.

Sterling Associates is providing QA services and is heavily involved with the project providing their expertise.

Recommendation:

- The WSLCB needs to make decisions faster. Committing resources full time from each of the divisions of the agency and requesting GERS to locate staff in Olympia for the duration of the project would aid faster decision making. GERS has assigned a senior executive to the project which will also facilitate decision making.
- The WSLCB needs to maximize time for interface testing. If the WSLCB can receive from GERS the new interfaces as they are completed, rather than having to wait until May 15, the WSLCB could have more time for testing. The WSLCB needs to request that GERS developers be on call during WSLCB testing to resolve any problems and prioritize bugs and fixes, this would allow quick problem resolution and, hence, mitigate risk.
- The WSLCB needs to improve its communications related to this project. The WSLCB recognizes the extreme political sensitivity surrounding their IT projects. They need to involve their communications office to improve project communications.

DIS recommends the WSLCB continue to use the management tools they have constructed to manage and control the project. DIS further recommends continued monitoring of progress to the plan to identify slippage. Taking remedial action without losing time will be critical to maintaining a new schedule.